

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 /084 W

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R 132013Z JUL 76

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 812

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 4942

E.O. 11652: GDS

TAGS: ENRG EC

SUBJECT: ADA CASE

1. SUMMARY: DCM AND FONOFF ECONOMIC DIRECTOR CANADAS DISCUSSED ADA CASE ON JULY 12. CANADAS SAID THAT A REPORT OF THE CASE FOLLOWING THE JULY 1 MEETING WITH RESOURCES MINISTER VARGAS, ATTORNEY GENERAL ERAZO AND ADA PRINCIPALS WAS BEING PREPARED FOR TRANSMITTAL TO THE SUPREME COUNCIL OF GOVT. HE WAS NOT PARTICULARLY FORTHCOMING ABOUT THE NEXT STEPS TO BE TAKEN TOWARD RESOLUTION THIS PROBLEM EVEN WHEN PUSHED. UNDER THE CIRCUMSTANCES AMBASSADOR INTENDS RAISE MATTER AT NEXT HIGHER LEVEL WITH FONOFF, THAT IS WITH SUBSECRETARY FOREIGN RELATIONS, IN TERMS OF THE POSSIBLE EFFECTS OF THIS LONGSTANDING PROBLEM ON OUR OVERALL RELATIONS. END SUMMARY.

2. DCM CALLED ON FONOFF ECONOMIC DIRECTOR, ROQUE CANADAS, JULY 12 TO DISCUSS STATUS OF ADA CASE FOLLOWING MEETING HELD BY ADA SENIOR VICE PRESIDENT LASSITER AND OTHER ADA PRINCIPALS WITH RESOURCES MINISTER VARGAS AND ATTORNEY GENERAL MARIO ERAZO DEL CASTILLO JULY 1. CANADAS HAD BEEN PRESENT AT THAT MEETING.

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3. CANADAS SAID THAT LASSITER HAD MADE ON THE WHOLE A

GOOD PRESENTATION. HOWEVER, IT ALWAYS SEEMED TO BE BASED ON THE ASSUMPTION THAT THE GOE WAS GOING TO MAKE DIRECT COMPENSATION TO ADA. LASSITER ALSO WENT INTO TOO MANY NUTS AND BOLTS CONCERNING SUCH THINGS AS AGREEING IMMEDIATELY ON THE AMOUNT OF COMPENSATION TO BE GIVEN.

4. DCM INTERJECTED THAT HE HAD UNDERSTOOD THAT THE GOE DID HAVE THE INTENTION OF COMPENSATING ADA AND THAT THIS HAD BEEN EXPRESSED TO OUR AMBASSADOR BY THE THEN SUBSECRETARY OF FOREIGN AFFAIRS, RODRIGO VALDEZ, IN 1975. CANADAS SAID THAT ECUADOR INDEED SOUGHT TO ASSURE THAT ADA WOULD RECEIVE DUE COMPENSATION BUT THAT THE MEANS AND SOURCE OF THIS COMPENSATION, FOR POLITICAL REASONS, COULD NOT BE THE ECUADOREAN BUDGET.

5. THE DCM ASKED WHAT THE NEXT STEP IN THE PROCESS WAS TO BE AND EXPRESSED THE HOPE THAT THE NEXT STEPS WOULD BE TAKEN WITHOUT DELAY. CANADAS SAID THAT THE MINISTER OF NATURAL RESOURCES WAS OUT OF TOWN FOR THE NEXT TEN DAYS BUT THAT MEANWHILE A REPORT WAS BEING PREPARED IN THE MINISTRY OF NATURAL RESOURCES FOR PRESENTATION TO THE SUPREME COUNCIL OF GOVT. HE SAID THAT THIS REPORT SHOULD RPT SHOULD BE SUPPLEMENTED BY SUGGESTIONS OF ALTERNATIVES BECAUSE THE SUPREME COUNCIL OF GOVT COULD NOT BE EXPECTED TO COME UP WITH SOLUTIONS OF ITS OWN.

6. HE SAID THAT THE GOE AND THE ECUADOREAN PUBLIC WERE ALL TOO AWARE THAT SOMETHING, ALTHOUGH NOT ILLEGAL BUT AT LEAST STRANGE, HAD TAKEN PLACE WHEN ADA INSISTED ON HAVING ECUADOR NATIONALS RECEIVE THE CONCESSIONS IN THE FIRST PLACE. OTHER COMPANIES, HE SAID, DID NOT DO THIS. THIS ACTION MADE ADA SEEM SOMEWHAT SUSPECT. HE SAID THAT A FORGERY INVOLVING A DEAD MAN, WHOSE HEIRS MIGHT HAVE A RIGHT NOW TO 20 PERCENT OF WHAT ADA CONCESSIONS OR INVESTMENT HAD BEEN, FURTHER COMPLICATED THE ATMOSPHERE. CANADAS ALSO SAID THAT THE GOE WAS UNHAPPY BECAUSE ADA IN ITS SUIT AGAINST NORTHWEST CLAIMS THAT IT HAD PROPRIETARY INFORMATION THAT HAD BEEN ILLEGALLY USED BY NORTHWEST BUT THAT ADA IN ACCORDANCE WITH ITS CONTRACTUAL ARRANGEMENTS WITH THE GOE HAD NEVER TURNED THIS INFORMATION OVER TO THE GOE.

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7. THE DCM REPEATED TO CANADAS THAT UNFORTUNATELY ADA HAD NEVER BEEN GIVEN THE OPPORTUNITY TO DEFEND ITSELF IN ECUADOREAN COURTS AGAINST SUCH CHARGES (SEE QUITO 4087), AND THE POINT NOW WAS TO ASSURE THAT THERE CONTINUED TO BE A REAL INTENTION ON THE PART OF THE GOE TO SEEK AN ACCEPTABLE SOLUTION.

8. THE DCM AGAIN ASKED WHAT THE NEXT STEPS SHOULD BE FOR COMING TO A SOLUTION. CANADAS SAID THAT HE WOULD INFORM THE DCM AS SOON AS THE REPORT HAD BEEN GIVEN TO THE COUNCIL OF GOVT. HE SAID THAT THE NEXT STEP SHOULD BE ONE OF SEVERAL THINGS. ADA SHOULD TRY TO WORK OUT AN AGREEMENT BY NORTHWEST TO SIT DOWN AT A TABLE WITH ADA AND A GOE COMMISSION TO FIND SOME INFORMAL SOLUTION INVOLVING COMPENSATION. ADA SHOULD ALSO PROPOSE SOMETHING NEW IN WRITING TO THE MINISTER AND ATTORNEY GENERAL BUT HE COULD NOT BE SPECIFIC OR WOULD NOT BE SPECIFIC ABOUT WHAT THAT SHOULD BE. EVEN WHEN PUSHED HE WOULD GIVE NO TIME FRAME.

9. DCM SAID HE THOUGHT IT WAS UP TO THE GOE TO TAKE THE INITIATIVE TO RESPOND TO ADA AND TO SEEK TO BRING TOGETHER THE THREE PARTIES TO WORK OUT A SOLUTION IF THAT WAS WHAT THE GOE HAD IN MIND. NORTHWEST WAS UNDER NO OBLIGATION TO DO SO AND INDEED ADA PROBABLY WOULD HESITATE TO ASK, BECAUSE, AMONG OTHER THINGS, ADA'S PROBLEM IN ECUADOR ITSELF IS WITH THE GOVERNMENT, NOT WITH NORTHWEST.

10. COMMENT: THIS WAS NOT A VERY SATISFYING MEETING. THERE MAY BE A WILL ON THE PART OF THE GOE TO FIND A SOLUTION, BUT IT IS ALSO CLEAR THAT A SOLUTION INVOLVING GOE FUNDS DIRECTLY WILL BE RESISTED. IN OTHER WORDS, ADA MIGHT WORK OUT SOME-

THING, WITH GOE ASSISTANCE, BY WHICH IT COULD RECOUP SOMETHING OF ITS INVESTMENT, THROUGH A PAYMENT BY NORTHWEST WHICH THE GOE WOULD CONSIDER A COST OF PRODUCTION. YET SUCH A SOLUTION WOULD HAVE TO AWAIT THE PERIOD OF ACTUAL PRODUCTION - SOME YEARS AHEAD.

11. UNDER THE CIRCUMSTANCES, AND TO IMPRESS ON THE GOE AT A HIGHER LEVEL THE U.S. INTEREST IN THIS CASE, THE  
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AMBASSADOR INTENDS TO TAKE IT UP WITH SUBSECRETARY OF FOREIGN RELATIONS AYALA AT AN EARLY OPPORTUNITY. THE TERMS OF THE DEMARCHE WILL BE GENERAL, AND WILL FOCUS ON THE OVERALL EFFECT ON US/ECUADOR RELATIONS OF INADEQUATE MOVEMENT TOWARD A SOLUTION OF THIS LONGSTANDING ISSUE.  
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## Message Attributes

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